file m/023/03



December 28, 2000

1800 Glenarm Place
Denver, CO 80202

Tel: 303.294.0427

Via Facsimile (801) 359-3946

Ms. Mary Ann Wright
Associate Director of Mining
Utah Division of Oil. Gas and Mining
P.O. Box 145801
Salt Lake City, Utah 84114

te: Agreement to Extend December 31, 2000 Deadline for all Field Reclamation Activities at Silver City Facility

Dear Ms. Wright:

We understand that the Utah Division of Oil, Gas and Mining (DOGM) agrees to extending the time for performance of our field reclamation activities at our Silver City facility. As reflected in the attached Reclamation and Closure Plan Schedule, we have completed most of the work, and in doing so we have been working in close coordination with both DOGM and the Utah Department of Environmental Quality, Division of Water Quality (DWQ). Meetings among company representatives, DOGM and DWQ to review project progress and decisions have been held monthly (and more recently, twice monthly) beginning in May of this year.

The project is not yet 100% complete due to a combination of factors, including time required to ascertain and tailor the most effective technologies and applications to the site specific conditions, and the need to do it on a very limited available budget.

Nevertheless, with valuable guidance and assistance from DOGM and DWQ, significant progress has been accomplished at the site in terms of both the closure and reclamation targets. Completed tasks include the following: the heap leach pad has been regraded, mulched, ripped and seeded; the leach pad draindown rate has significantly decreased and continues to do so; enhanced evaporation capacity is in place; the draft final design for post-closure fluid management has been submitted to DWQ and conditionally approved; containerized waste and recyclable materials have been inventoried and scheduled for appropriate handling; and, delivery of sodium cyanide and caustic soda to Kennecott Barneys Canyon has been completed.

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DIVISION OF OIL, GAS AND MINING Only the installation of the post closure leach field, and removal of buildings, fixtures and ponds, and final reclamation of these facilities remains to be completed by mid 2001. Reasons for, and status of, continued interim use of remaining facilities are as follows:

- the pregnant and overflow solution ponds for solution storage and for enhanced evaporation system operation since closure of either of these ponds could jeopardize North Lily's ability to manage leach pad draindown volumes throughout the winter and into the spring;
- the barren solution pond for possible future use as a repository for construction/demolition debris, conditional upon the approval by the Division of Solid and Hazardous Waste;
- the office trailer which will be needed as a site office (record keeping, weather protection for site workers, telecommunications) for personnel on site;
- the mill building for storage of saleable equipment and material and to house the electrical distribution panel;
- the oil storage shed and adjacent storage locker to be used to shelter equipment and/or the
 electrical distribution panel when and if it is relocated from the mill building to facilitate
 demolition of the mill building;
- steel fuel tanks until they can be sold, and
- the caustic soda tank until the frozen solution in the tank bottom is thawed and the remainder of the caustic soda solution can be delivered to Kennecott Barneys Canyon.

The above tasks, or some of them, might already have been completed if we had unlimited funds, especially earlier this year. Unfortunately, the company has not had cash flow from operations, nor adequate funding for several years. Nevertheless, we have expended some \$190,000 on the project in 2000. This has been accomplished by borrowing against and /or selling portions of our Utah lands. Attached are a current Loan Commitment and transmittal letter for a \$500,000 financing expected to close next week on our 2330 acres of fee lands near Elberta, Utah.

Meanwhile, project progress has also required necessary time and certain trial and error for technical analysis to yield cost-effective/environmentally sound solutions to matters such as maximizing enhanced evaporation borrowed/adopted from Barrick's experience, utilization of top soil available on the site or compost from off site to enhance seeding of leach pad, and ultimate methodology for post-closure fluid management system. The latter started with an anoxic bioreactor to treat draindown fluids pursuant to the project's approved reclamation plan. That approach has been superseded by the leachfield concept, the location and design of which is still evolving, as reflected in the attached letter from JBR Environmental Consultants, Inc. to DWQ of December 22, 2000.

In light of all the above and related circumstances, we ask for your written confirmation of extension of our December 31, 2000 deadline under the stipulation and Consent Order of 26 July 2000 for completion of remaining field reclamation activities. We are confident that ongoing diligence and cooperation by our representatives, DOGM and DWQ, will yield timely completion of environmentally sound reclamation and closure.

Sincerely,

S. E. Flechner,

President

W. Gene Webb,

Executive Vice President

Attachment

cc: Dennis Frederick, DWQ

Fred Pehrson, DWQ Beth Wondimu, DWQ

Wayne Hedburg, Division of Oil Gas and Mining Robert J. Bayer, JBR Environmental Consultants, Inc.

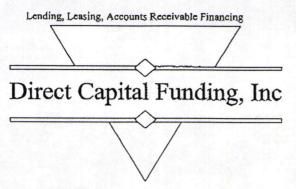
Mike Keller, VanCott Bagley

Exhibit A - Stipulation and Consent Order
North Lily Mining Company - M/023/007
Please Note: Revisions to schedule are bolded and italicized.

Reclamation and Closure Plan Schedule NORTH LILY MINING COMPANY Silver City, Utah Heap Leach Facility

		(Revised 11/14/00)		
	Component Restore Pad Perimeter Solution Collection System		Start Date May 8	Anticipated Completion Date May 9 (completed)
1.				
Assessment Review & Schedule Readjustment			May 16	Completed
2.	Design, Build & Start-up Enhanced Evaporation Systems		April 12	Complete
	2.1	System Design Schematic	April 12	Complete - 4/28
	2.2	Solution Channel Liner Repairs	July 31	Complete
	2.3	Reinstall ADS pipe underdrain in pad solution channel	Aug 15	Complete
	2.4	Site Clean-up	May 14	Complete
	2.5	Flow meter and weir or flume	May 12	Complete
	2.6	Install new pump	June 15	Complete
	2.7	Install and Start-up Pad Margin Evaporation System	May 12	Abandoned
	2.8	Relocate Evap. away from margin	May 22	Complete
	2.9	Install Overflow Pond Evap. if needed	July 10	Complete
	2.10	Repair Pregnant Pond Liner	July 5	Complete
	2.11	Reestablish Pregnant Pond Leak Detection System	July 21	Complete
	2.12	Construct, Install In-pond Preg-pond Evaporation System	July 17	Complete
	2.13	Estimate Post-Closure Draindown Rate	August 14	(See section 3.2 below)
Asse	Assessment Review & Schedule Readjustment			Completed
3.	Design Post-closure Fluid Management System			50,016
	3.1	Conceptual Design	April 15	August 25 BEINAU
	3.2	Final Design	August 10	August 25 Being November 15 FINAL

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4.	Characterize, Identify, and Quantify Stockpile Topsoil & Topsoil Substitute, Finalize Seed Mix	July 17	Complete
	4.1 Nutrient characterization of stockpiled topsoil	July 17	Topsoil
	and estimate stockpile volume		application
	4.2 Determine topsoil thickness requirements	July 17	abandoned due to
	4.3 Identify source of topsoil substitute and	July 17	knapweed infestation
	perform nutrient characterization		injestation
	4.4 Finalize seed mix	July 17	Complete
Asses	sment Review & Schedule Readjustment	July 13	Complete
5.	Assess Adequacy of Natural Revegetation in Former Land Application Area	·	Complete
Asses	sment Review & Schedule Readjustment Date	August 15	Complete
Asses	sment Review & Schedule Readjustment Date	August 29	Complete
6.	Regrade Heap Leach Pad	Oct. 30	November 30 Carreles
Asses	sment Review & Schedule Readjustment Date	Sept. 12	Complete
Asses	sment Review & Schedule Readjustment Date	Sept. 26	Complete
Asses	sment Review & Schedule Readjustment Date	Oct. 10	Complete
7.	Inventory and Dispose of Salvageable, Recyclable, and		
	Unusable Materials 7.1 Inventory	July 10	Complete OPOLIAL
	7.1 Inventory 7.2 Disposal	July 30	Complete December 15 Der Eige
A ====		Oct. 24	Complete
Asses	sment Review & Schedule Readjustment Date	Oct. 24	<u> </u>
Asses	sment Review & Schedule Readjustment Date	Nov. 8	Complete
<i>8</i>	Apply amendments (composted manure) & seed	Nov. 30	Complete December 20
9.	Decommission Barren and Overflow Ponds (if not necessary for post-closure fluid management system)	Sept. 1	December 31
Asses	sment Review & Schedule Readjustment Date	Nov. 21	9:30 AM
10.	Construct Post-Closure Fluid Management System	November 1	December 31
On-si	te Review	December 5	(postpone??)
11.	All reclamation/closure work to be completed except for facilities/features required for post closure monitoring (or post closure fluid management system).		December 31



FAX COVER SHEET

Your Full Service Commercial Leasing, AR Financing and Commercial/Residential Real Estate Lending Source

Phone 801-334-9800 801-392-8927

Pages to Follow: 2

Date: December 26, 2000

Send To:

North Lily Mining

Attention:

Steve/Gene/Dave

Re:

Elberta, UT

Comments:

Attached is the new loan commitment at \$500,000. I am expecting documents to go out tomorrow, I will fax drafts ASAP.

Dave, please sign the loan commitment and fax it back to me as soon as you can thanks

Steve & Gene, please sign the loan commitment and fax it back to me as soon as you can

I will talk to you in the morning.

Please feel free to call me with any questions.

Regards,

Jason Ames Lending Specialist

CC:Rob Fender

OLD STANDARD LIFE INSURANCE COMPANY

LOAN COMMITMENT

Dato: December 26th, 2000

To: North Lily Mining Company

Collateral: Approximately 2,330 acres

Project Locations: Elberta, Utah

This is our commitment to provide the financing as outlined in detail in your Loan Application to OLD STANDARD LIFE INSURANCE COMPANY, dated October 12th, 2000, subject to the following;

Loan Funding And Commitment Acceptance:
The Loan Commitment is to provide for acceptance before December 29th, 2000
And funding on or before January 15th, 2001.

Loan amount shall be \$500,000. All other terms and conditions remain the same.

The Loan shall be evidenced by a Promissory Note, a deed of Trust, an Assignment of Leases and other security and credit instruments and loan documents required by OLD STANDARD LIFE INSURANCE COMPANY. Guaranty of tepayment of the Note shall be evidenced by guaranties in form and substance to OLD STANDARD LIFE INSURANCE COMPANY.

Prior to closing the loan, all taxes and assessments affecting the Property shall have been paid and discharged whether or not payable in installments or constituting a lien against the property.

The Loan will be made in reliance upon statements and representations contained in your Loan Application and in financial statements and other documentation submitted to OLD STANDARD LIFE INSURANCE COMPANY by you and any guarantors. You represent and warrant to OLD STANDARD LIFE INSURANCE COMPANY that all such statements and representations are true in all material respects. At the closing of the Loan your credit and all other aspects of the transaction shall be as represented to us without material adverse change from the time of application for the Loan.

This commitment may not be terminated or changed except by written agreement by both parties. OLD STANDARD LIFE INSURANCE COMPANY shall be under no obligation to close the loan if at the time of closing, facts exist or an event has occurred which would then (or upon the passage of time or lapse of grace period) constitute a default under the Loan Application, this Commitment or any of the Loan documents.

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At the date of closing, no part of the Property shall have been taken in condemnation or other proceedings nor shall any such proceedings be pending. In addition, to part of the improvements shall have been destroyed or damaged in any manner. Neither the Loan Application, this Commitment or Loan proceeds may be assigned without the written consent of OLD STANDARD LIFE INSURANCE COMPANY.

You and OLD STANDARD LIFE INSURANCE COMPANY agree that time is of the essence and that all obligations hereunder shall be timely performed on the dates on which complete performance is specified according to the provisions of the loan Application and this Commitment.

At this point the conditions of the Loan Application regarding loan documentation and closing have not been fully satisfied. This Commitment presumes satisfactory fulfillment of these conditions.

This Commitment must be accepted no later than <u>December 29th</u>, 2000. An original executed counterpart (initialed by you on each page and signed in the space provided below) must be received by OLD STANDARD LIFE INSURANCE COMPANY on or before said date, or this Commitment, shall terminate and be of no further force or effect. This Commitment will be canceled <u>January 31st</u>, 2001, if the Loan is not closed. Upon our receipt of this Commitment, it shall constitute an agreement obligating OLD STANDARD LIFE INSURANCE COMPANY to make the Loan in accordance with the terms and conditions contained or referenced herein.

In the event of any conflicting provision between the Applicant, this Commitment and any Loan documents executed subsequent to the issuance of this Commitment, the provisions of such subsequent Loan documents shall control. This Commitment may not be changed except by written agreement by both parties.

Very Truly yours,

Tom Turner

Secretary/Treasurer

COMMITMENT ACCEPTED AND APPROVED:

This th day of Dec 2000.

Borrower: North Lily Mining Company

Guarantor:

By SIDC Cott

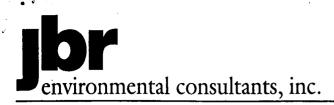
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By Wardent

By War Con Street

David C. Lott

Page 2 of 2



8160 South Highland Drive • Sandy, Utah 84093 • (801) 943-4144 • Fax (801) 942-1852

December 22, 2000

Mr. Don Ostler
Director
Utah Division of Water Quality
288 North 1460 West
P.O. Box 144870
Salt Lake City, Utah 84114-4870

RE: North Lily Mining Company, Silver City, Utah Facility - Final Plan for Post-Closure Fluid Management System (PCFMS) - Response to December 15, 2000 Letter

Dear Mr. Ostler:

Thank you for the conditional approval of the subject PCFMS Plan as expressed in your letter of December 15, 2000. North Lily understands and accepts the conditions set forth in the letter.

During the last project update conference call on December 17, 2000, I had proposed an alternate design for the leachfield given topographic restraints to the proposed ultimate gravity flow system that would be the "permanent" means of residual leach draindown fluids reaching the leachfield. As a result, an alternate design proposal was requested and I had agreed to provide that design change request by today. Subsequent to that conference call, I received a follow-up call from Wayne Hedburg of the Division of Oil Gas and Mining (DOGM) on behalf of the State conferees. Wayne requested that JBR evaluate the possibility of installing a leachfield with lesser capacity than the original 10 gpm-capacity leachfield proposed in the PCFMS Plan in a location in the vicinity of percolation test site TP-B that could be converted to gravity flow as originally proposed. I agreed that we would do so and, subsequently, we identified four test pit locations for supplemental percolation tests. These sites are located adjacent to site TP-B on the northeast, east and south in areas that would allow draindown fluids to reach a leachfield constructed in that general vicinity by gravity flow. The test pits were excavated yesterday and the percolation tests are being conducted today. Evaluation of the results of the tests will be completed by December 27.

Since JBR's proposal to modify the PCFMS to a non-gravity flow has system been tabled, a revised plan is not appropriate, at least as yet. On behalf of North Lily, JBR proposes instead to respond by submitting a topographic survey and the above-referenced percolation test data to the Division of Water Quality (DWQ) and DOGM on or about December 28, 2000. At the same time, if the data indicated that an area of sufficient permeability to dispose of 5 gpm of fluid flow

exists in the vicinity of TP-B, we will begin preparing the final sizing and location of a 5-gpm system and, along with as-built drawings of the proposed septic tank(s), submit them for review and approval by the divisions, along with a proposed construction schedule.

Given the limited area in the vicinity of TP-B and its close proximity to TP-E, which has unacceptably low permeability, there is potential that a leachfield of sufficient size may not be able to be built in the area evaluated by the percolation tests. If this is the case, and while the divisions are reviewing the additional percolation test and topographic data, JBR will design and implement a supplemental percolation program to accomplish one of the following two options, dependent upon the current test results, which are presented in order of preference: evaluation of untested adjacent areas to the north of TP-B where minimal earth moving could allow for creation of a land surface area downgradient from the leach pad; or further evaluation of the areas surrounding sites TP-C and TP-D so that we can size and locate a pump-fed system in this area of higher permeability soils.

If the above-described approach is not satisfactory to DWQ for any reason, please let me know at your earliest convenience. If you wish to respond by email, my email address is rbayer@jbr-env.com. Thank your for your prompt attention to this matter

Sincerely,

Robert J. Bayer

Managing Principal

cc:

Dennis Frederick, DWQ
Fred Pehrson, DWQ
Beth Wondimu, DWQ
Mary Ann Wright, Division of Oil Gas and Mining
Wayne Hedburg, Division of Oil Gas and Mining
Stephen Flechner, North Lily Mining Company
Mike Keller, VanCott Bagley